



**Massachusetts Bay
Transportation Authority**

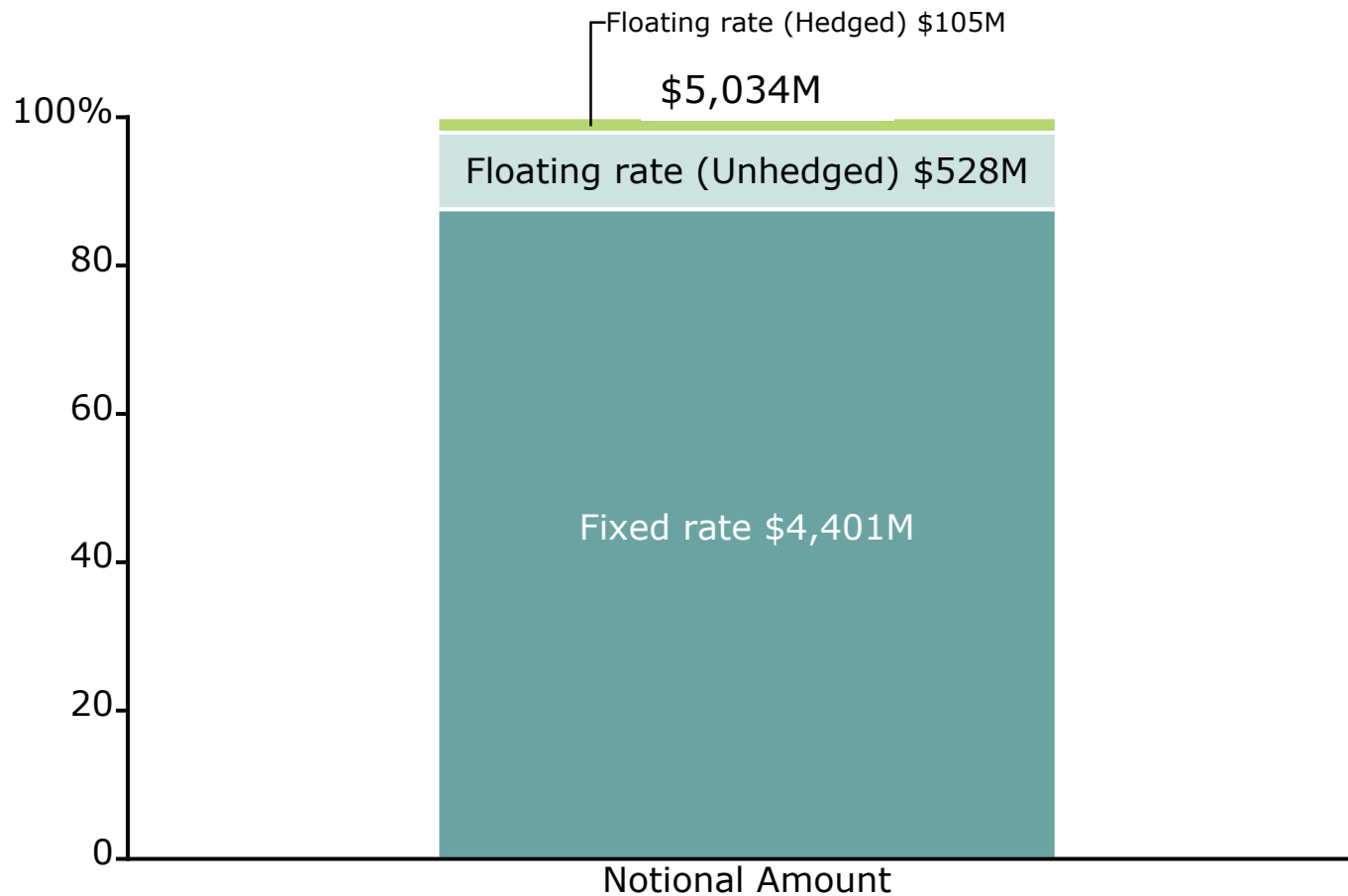
Liquidity Facility Renewal for Commercial Paper Program

November 19, 2018

Current Debt Portfolio



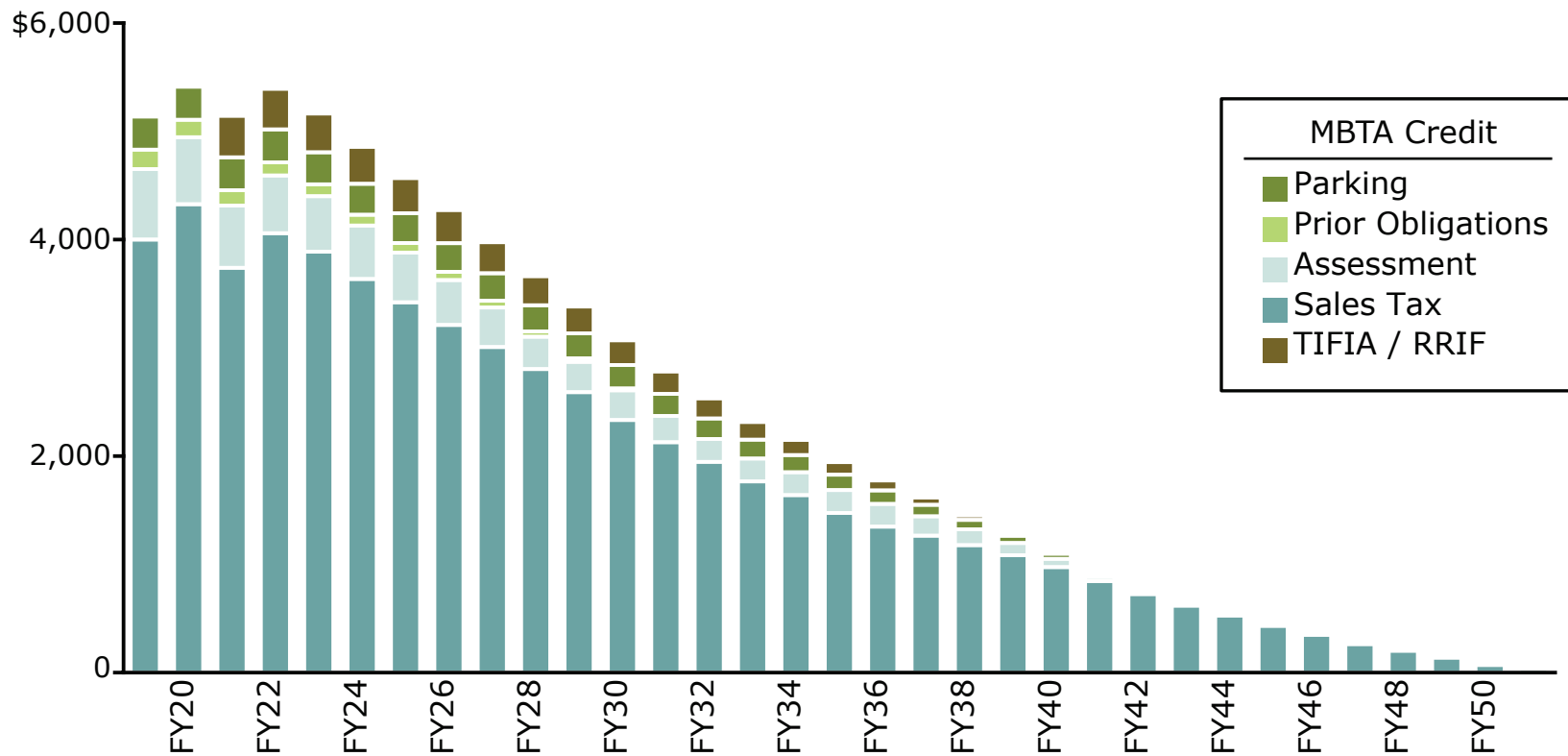
- Proposed transaction does not involve the issuance of new debt
- MBTA will repay \$266M of principal in Fiscal Year 2019



Current Debt Portfolio



Outstanding Principal* (\$ millions)



*Balances are as of the beginning of period.

Includes TIFIA/RRIF loans and new issues in both FY19 (~\$300 million) and FY21 (\$500 million).



Background on Authority's Commercial Paper Program

- MBTA commercial paper ("CP") program was established in 2001 under the Sales Tax Bond Trust Agreement.
- CP is used to fund capital investment in conjunction with long-term bond issuance.
- Commercial paper is a flexible, low-cost instrument available to highly-rated issuers.
- Program allows for borrowing up to \$250M and is divided into three tranches. No commercial paper is currently outstanding.
- In the rare event that commercial paper cannot be rolled, the MBTA maintains liquidity facilities with banks as a backstop.
- Liquidity facilities for the three tranches of CP Sales Tax Bond Anticipation Notes expire in December 2018.

	Series A	Series B	Series C
Size	\$100 million	\$100 million	\$50 million
Liquidity Provider (Expiring)	US Bank	Sumitomo Mitsui Banking Corporation (SMBC)	TD Bank
Annual Liquidity Fee (Expiring)	24.5 bps	32.0 bps	25.0 bps
Dealer	Barclays	JP Morgan	JP Morgan
Annual Dealer Fee	4.0 bps	4.0 bps	4.0 bps



New Facility Terms

- The Authority recently canvassed the market and has the opportunity renew the current facilities with a highly-rated counterparty at attractive terms.

	Term (Range)	Cost (Range)
Market Bids	3 Year – 7 Years	0.25% p.a. – 0.41% p.a.

- **TD Bank (AA-/Aa1)** was selected to provide a \$250M liquidity facility for all three tranches.
 - Facility is 3 years at a cost of 0.25% per annum.
 - Authority removed unfavorable provisions in prior documentation.
 - Executing with an existing liquidity provider reduces transaction fees related to rating agencies and professional services (approximately \$50,000).
 - Highly-rated counterparty. CP Notes expected to carry ratings of Aa2/AA (long term) and P-1/A-1+ (short term).
- **New facility terms will produce savings of \$190,000 over 3 years.**
- Will retain existing CP Dealers – Barclays and JP Morgan. Low fees (4 bps per year) and market tested performance.

Advisors and Compliance



- Financial Advisor on the transaction is Public Financial Management
 - Recommendation circulated prior to presentation
- Bond Counsel on the transaction is Mintz Levin
- Transaction complies with MBTA Debt Policy (renewed July 2018)



FMCB recommends and MassDOT approves:

- Execution and delivery of one or more line of credit agreements under the Sales Tax Bond Trust Agreement to provide liquidity for the Authority's Commercial Paper Program as deemed advisable by an Authorized Officer
- Execution and delivery of one or more offering memoranda for the Commercial Paper Program
- Authorizes Chief Administrator, Chief Financial Officer, Treasurer, General Counsel and other Officers of the Authority as necessary, to effectuate the transactions